

NOTE 11 – LEASES**Capital Leases**

King County has entered into agreements to purchase buildings, machinery, and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for under Governmental Activities. Such assets and liabilities related to proprietary type funds are accounted for within the proprietary funds (Business-type Activities).

The following is a schedule of capital assets and outstanding liabilities relating to capital lease agreements and installment purchase contracts as of December 31, 2007 (in thousands):

	Capital Assets		Capital Leases Payable	
	Governmental Activities ^(a)	Business-type Activities	Governmental Activities ^(b)	Business-type Activities
Land	\$ 1,440	\$ -	\$ -	\$ -
Buildings	4,460	-	4,275 ^(a)	-
Leasehold improvements	-	4,881	-	3,534
Less depreciation	(686)	(943)	-	-
Subtotal	3,774	3,938	4,275	3,534
Machinery and equipment	183	-	49	-
Less depreciation	(73)	-	-	-
Subtotal	110	-	49	-
Totals	\$ 5,324	\$ 3,938	\$ 4,324	\$ 3,534

(a) Certain governmental land and buildings that were financed through capital leases in prior years are now reported as directly-owned capital assets in the primary government as a result of a reporting entity change in 2007 that recognizes the lessor corporations as blended component units. (See Note 1, "Summary of Significant Accounting Policies" – Component Units, Building Development and Management Corporations.)

(b) In prior years, limited tax general obligation lease revenue bonds were reported as capital leases pursuant to special financing agreements. In 2007, bonds issued in accordance with the provisions of Revenue Ruling 63-20 have been reclassified as lease revenue bonds of a blended component. See Note 15, "Restrictions, Reserves, Designations and Changes in Equity" - Restatements of Beginning Balances.

The following is a schedule, by year, of future minimum lease payments under capital lease and installment purchase agreements together with the present value of the net minimum lease payments as of December 31, 2007 (in thousands):

NOTE 11 – CONTINUED

	Governmental Activities	Business-type Activities
2008	\$ 534	\$ 255
2009	482	255
2010	484	255
2011	480	255
2012	481	255
2013-2017	2,407	1,275
2018-2022	964	1,275
2023-2027	-	1,275
2028-2031	-	913
Total minimum lease payments	5,832	6,013
Less: Amount representing interest	(1,508)	(2,479)
Present value of net minimum lease payments	<u>\$ 4,324</u>	<u>\$ 3,534</u>

Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers, and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 2007, for operating lease and rental agreements for office space, equipment, and other operating leases amount to \$37.3 million. The patterns of future lease payment requirements are systematic and rational. Future minimum lease payments for these leases are as follows (in thousands):

<u>Year</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Other</u>	<u>Total</u>
2008	\$ 5,973	\$ 123	\$ 806	\$ 6,902
2009	5,131	122	702	5,955
2010	4,500	72	681	5,253
2011	3,761	39	667	4,467
2012	3,430	-	575	4,005
2013-2017	14,562	-	2,838	17,400
2018-2022	1,013	-	2,889	3,902
2023-2027	1,013	-	2,657	3,670
2028-2032	1,013	-	1,817	2,830
2033-2037	216	-	2,006	2,222
2038-2042	-	-	2,215	2,215
2043-2047	-	-	2,445	2,445
2048-2052	-	-	2,700	2,700
2053	-	-	428	428

The County currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. Under business-type activities, the King County Airport Enterprise leases out most of the buildings and grounds in the King County International Airport/Boeing Field complex to companies and government agencies in the aviation industry.

The following schedule is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2007 (in thousands):

NOTE 11 – CONTINUED

	Governmental Activities	Business-type Activities	
		Airport	Other
Land	\$ 70	\$ 11,220	\$ -
Buildings	1,795	50,086	702
Less depreciation	(584)	(28,353)	(95)
Total cost of property under lease	<u>\$ 1,281</u>	<u>\$ 32,953</u>	<u>\$ 607</u>

The following is a schedule of minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2007 (in thousands):

Year	Governmental Activities	Business-type Activities		Total
		Airport	Other	
2008	\$ 2,787	\$ 5,205	\$ 1,246	\$ 9,238
2009	2,527	4,997	763	8,287
2010	2,020	4,983	715	7,718
2011	1,254	4,983	388	6,625
2012	915	4,863	213	5,991